

CITY OF BEL AIRE, KANSAS

**Financial Statements
December 31, 2010**

**with
Independent Auditors' Report**

CITY OF BEL AIRE, KANSAS

Financial Statements

December 31, 2010

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PETERSON, PETERSON & GOSS, L.C.

MEMBERS
GREGORY B. SEVIER, C.P.A.
JOHN B. GOSS, C.P.A.

PRINCIPALS
VONDA J. WILSON, C.P.A.
DENISE M. GUDENKAUF, C.P.A.
MATT T. HAASE, C.P.A.
JON W. OETTING, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS
417 NORTH TOPEKA AVENUE
P.O. BOX 1259
WICHITA, KANSAS 67201-1259
TELEPHONE 316-262-8371
FAX 316-262-5369
www.ppglc.com

MEMBER OF THE
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OF COUNSEL
MARVIN W. NYE, C.P.A.

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of Bel Aire, Kansas

We have audited the accompanying financial statements of the governmental activities, the proprietary activities, each major fund, and the aggregate remaining fund information of the City of Bel Aire, Kansas as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bel Aire's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the proprietary activities, each major fund, and the aggregate remaining fund information of the City of Bel Aire, Kansas, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 17 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary

information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Bel Aire's basic financial statements as a whole. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Peterson, Peters & Goss, L.C.

October 12, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF BEL AIRE, KANSAS
December 31, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City's annual financial report is designed to provide readers with an overview and analysis of the financial activities during the fiscal year ended December 31, 2010. Please read it in conjunction with the City's financial statements which follow this section.

Financial Highlights – Year 2010

- Net assets decreased by \$1,697,442.
- The assets of the City exceeded its liabilities at the close of 2010 by \$15,323,200.
- At the end of 2010, the fund balance for the general fund was \$1,538,622 compared to \$3,341,623 for 2009 (\$2,539,668 held by trustee was reclassified to the Public Building Commission as of January 1, 2010).
- Temporary notes increased by \$1,270,000; general obligation bonds increased by \$1,890,000.
- Government activity revenues, net of refunding, and charges for services amounted to \$3,167,958.
- Government activity expenses, including depreciation, amounted to \$5,027,431.
- The City made principal payments on debt (including COP defeasance of \$19,830,000) in the amount of \$23,901,202 and issued new debt in the amount of \$26,350,000.
- Contractual indebtedness increased from \$54,230,000 to \$56,785,000.
- Capital assets, after accumulated depreciation, amounted to \$49,681,564 for governmental and \$11,156,239 for proprietary activities.
- At year-end the City had unrestricted cash of \$8,608,908.
- Restricted debt service fund cash amounted to \$744,463 at year end.
- The Public Building Commission is reported as a blended component unit. PBC assets, at cost, amounted to \$21,711,264 (including land project costs of \$20,807,334).
- Land project sales amounted to \$12,111, in the General Fund, compared to \$1,598,475 for the year 2009. The general overall economic downturn contributed greatly to the reduction in sales.
- Land project expenditures amounted to \$401,246.
- See note 23 of the financial statements regarding debt service applicable to the land project.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report contains other supplementary information in addition to the basic financial statements themselves.

CITY OF BEL AIRE, KANSAS

December 31, 2010

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets is prepared on the accrual basis and presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities is focused on both the gross and net cost of various functions (including governmental, proprietary and the blended component unit), which are supported by the City of Bel Aire's general tax and other revenues. This is intended to summarize and simplify the analysis of costs of various governmental services and/or subsidies to various proprietary activities and/or component units. The statement is prepared on the accrual basis of accounting.

Governmental activities reflect the City's basic services including general government, police, community development, law/municipal court, employee benefits, streets and highways, parks and grounds and recreation. Property, sales, gasoline and motor vehicle taxes along with franchise and court fees and licenses and permits finance the majority of these services. The proprietary activities reflect private sector type operations for water and sewer utilities where the fees for service should cover all or most of the cost of operations, including depreciation.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds (major funds) – not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories – governmental and proprietary.

Governmental Funds – Most of the City's basic services are included in governmental funds which focus on 1) how cash (and other financial assets that can be readily converted to cash) flow in and out, and 2) the balances left at year-end that are available for spending. The governmental funds statements provide a detailed short-term view that helps determine the level of financial resources that can be spent in the near future to finance City programs.

CITY OF BEL AIRE, KANSAS
December 31, 2010

Proprietary Funds – Services for which the City charges customers a fee are generally reported in the proprietary funds. The sewer and water utilities comprise the proprietary funds for the City of Bel Aire. Statements for the proprietary funds provide both long- and short-term financial information.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the governmental and proprietary fund financial statements.

Contacting the City's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and demonstrates the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director, 7651 E. Central Park Ave., Bel Aire, Kansas 67226.

CITY OF BEL AIRE, KANSAS
December 31, 2010

Condensed Financial Information

Government-Wide
Assets, Liabilities and Net Assets

	December 31, 2010			Memo 2009
	Governmental Activities	Proprietary Activities	Total	
Assets				
Cash	\$8,250,042	\$358,866	\$8,608,908	\$9,205,024
Receivables	11,388,293	209,295	11,597,588	9,677,768
Capital assets, net	49,681,564	11,156,239	60,837,803	59,089,418
Other assets	956,258	--	956,258	164,339
PBC restricted cash	744,463	--	744,463	2,539,668
Total Assets	<u>\$71,020,620</u>	<u>\$11,724,400</u>	<u>\$82,745,020</u>	<u>\$80,676,217</u>
Liabilities				
Payables and accruals	\$90,466	\$94,514	\$184,980	\$254,060
Deferred revenue	10,250,862	--	10,250,862	8,798,697
Long-term debt	56,985,978	--	56,985,978	54,537,180
Total Liabilities	<u>\$67,327,306</u>	<u>\$94,514</u>	<u>\$67,421,820</u>	<u>\$63,589,937</u>
Net Assets				
Invested in capital assets, net of debt	(7,304,414)	11,156,239	3,851,825	4,552,238
Restricted	7,569,810	--	7,569,810	10,137,311
Unrestricted	3,427,918	473,647	3,901,565	2,396,731
Total Net Assets	<u>3,693,314</u>	<u>11,629,886</u>	<u>15,323,200</u>	<u>17,086,280</u>
Total Liabilities and Net Assets	<u>\$71,020,620</u>	<u>\$11,724,400</u>	<u>\$82,745,020</u>	<u>\$80,676,217</u>

CITY OF BEL AIRE, KANSAS
December 31, 2010

Condensed Financial Information

	<u>Debt</u>		
	December 31, 2010		Memo
	Governmental Activities	Proprietary Activities	12-31-09
General obligation bonds	\$16,455,000	\$--	\$14,565,000
Temporary notes	16,170,000	--	14,900,000
Certificates of Participation	--	--	19,830,000
Revenue bonds - PBC	24,160,000	--	4,935,000
Capital leases	200,978	--	307,180
Total Debt	\$56,985,978	\$--	\$54,537,180

<u>Revenues – Governmental Activities</u>			
2010			
	Program	General	Memo 2009
Fees, permits, rents, etc.	\$253,834	\$--	\$200,657
Land project (deficit)	--	(2,321,237)	1,598,475
Fines	280,198	--	191,487
Operating grants	--	--	7,829
Taxes and shared revenue	--	3,134,966	2,815,919
Special assessments	--	1,334,154	1,388,718
Reimbursements and other	--	(306,696)	--
Franchise fees	--	489,892	298,361
Interest	--	--	602,039
PBC	302,847	--	--
Total	\$836,879	\$2,331,079	\$7,103,485

CITY OF BEL AIRE, KANSAS
December 31, 2010

Condensed Financial Information

Program Expenses, Including Depreciation – Governmental Activities

Program	2010	Memo 2009
Administration	\$399,904	\$464,219
Community development/infrastructure/streets	941,839	621,612
Recreation, pool, parks and grounds, and senior center	483,720	486,806
Law and municipal court	155,159	109,619
Employee benefits	528,454	539,838
Police	899,083	853,686
PBC and & land project	107,397	477,468
Interest on debt and other	1,511,875	2,833,967
Total	<u>\$5,027,431</u>	<u>\$6,387,215</u>

CITY OF BEL AIRE, KANSAS
December 31, 2010

Condensed Financial Information

Revenues – Proprietary Activities

	2010		Memo 2009
	Operating Revenues	Other Increases	Total
<u>Utility</u>			
Water	\$1,598,047	\$436,586	\$2,034,633
Sewer	1,366,761	--	1,366,761
Total	\$2,964,808	\$436,586	\$3,401,394

Expenses – Proprietary Activities

	2010		Memo 2009
	Nondepreciation	Depreciation	Total
<u>Water</u>			
Water	\$1,543,718	\$186,238	\$1,729,956
Sewer	1,359,447	149,960	1,509,407
Total	\$2,903,165	\$336,198	\$3,239,363

CITY OF BEL AIRE, KANSAS
December 31, 2010

Condensed Financial Information

Total Revenues Government – Wide

	2010	Memo 2009
Governmental:		
Program	\$836,879	\$399,973
General	2,331,079 *	6,703,512 **
Total Governmental	3,167,958	7,103,485
Proprietary		
Water and sewer charges	2,964,808	2,536,126
Other increases	436,586	540,044
Total Proprietary	3,401,394	3,076,170
Total	\$6,569,352	\$10,179,655

*Includes land project deficit of \$2,321,237

**Includes land project sales of \$1,598,475

Total Expenses Government – Wide

	2010	Memo 2009
Governmental	\$5,027,431	\$6,387,215
Proprietary	3,239,363	2,961,683
Total	\$8,266,794	\$9,348,898

BASIC FINANCIAL STATEMENTS

CITY OF BEL AIRE, KANSAS
Government-wide Statement of Net Assets
December 31, 2010

	<u>Assets</u>		
	<u>Governmental</u>	<u>Proprietary</u>	<u>Total</u>
Assets:			
Cash	\$ 8,250,042	\$ 358,866	\$ 8,608,908
Receivables and specials	11,388,293	209,295	11,597,588
Unamortized debt issuance costs - PBC	956,258	-	956,258
Restricted debt service funds	744,463	-	744,463
Capital assets:			
Nondepreciable:			
Land, including capital leases	4,277,547	534,040	4,811,587
Land project	20,807,334	-	20,807,334
Construction in progress	1,750,918	-	1,750,918
Total nondepreciable	26,835,799	534,040	27,369,839
Depreciable:			
Plant and equipment	-	14,700,168	14,700,168
Infrastructure	25,895,540	-	25,895,540
Equipment, buildings and improvement	6,788,722	-	6,788,722
	32,684,262	14,700,168	47,384,430
Accumulated depreciation	(9,838,497)	(4,077,969)	(13,916,466)
Total depreciable	22,845,765	10,622,199	33,467,964
Total capital assets	49,681,564	11,156,239	60,837,803
Total assets	<u>\$ 71,020,620</u>	<u>\$ 11,724,400</u>	<u>\$ 82,745,020</u>

	<u>Liabilities and Net Assets</u>		
	<u>Governmental</u>	<u>Proprietary</u>	<u>Total</u>
Liabilities:			
Accounts payable and accruals	\$ 90,466	\$ 94,514	\$ 184,980
Deferred revenue and specials	10,250,862	-	10,250,862
Bonds, notes and capital leases:			
Due in 2011:			
Bonds and notes	4,120,000	-	4,120,000
Capital leases, ordinary	69,623	-	69,623
Total 2011 maturities	4,189,623	-	4,189,623
Due after 2011:			
Bonds and notes	52,664,997	-	52,664,997
Capital leases, ordinary	131,358	-	131,358
Total bonds, notes and capital leases	56,985,978	-	56,985,978
Total liabilities	67,327,306	94,514	67,421,820
Net Assets:			
Invested in capital assets, net of debt	(7,304,414)	11,156,239	3,851,825
Restricted:			
Debt service	814,137	-	814,137
Capital projects	6,755,673	-	6,755,673
Total restricted	7,569,810	-	7,569,810
Unrestricted	3,427,918	473,647	3,901,565
Total net assets	3,693,314	11,629,886	15,323,200
Total liabilities and net assets	<u>\$ 71,020,620</u>	<u>\$ 11,724,400</u>	<u>\$ 82,745,020</u>

See notes to financial statements.

CITY OF BEL AIRE, KANSAS
Government-wide Statement of Activities
For the Year Ended December 31, 2010

Functions/Program	Expenses			Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
	Other than Depreciation	Depreciation	Total	Charges for Services	Operating Grants	Total	Governmental Activities	Proprietary Activities	Total
Governmental activities:									
Administration, mayor and council	\$ 381,280	\$ 18,624	\$ 399,904	\$ 172,988	\$ 18,918	\$ 191,906	\$ (207,998)	\$ -	\$ (207,998)
Community development	72,158	600,152	672,310	-	-	-	(672,310)		(672,310)
Law and municipal court	155,027	132	155,159	280,198	-	280,198	125,039		125,039
Parks, grounds, recreation, pool, etc.	432,267	51,453	483,720	61,928	-	61,928	(421,792)		(421,792)
Police	818,920	80,163	899,083	-	-	-	(899,083)		(899,083)
Streets	269,529	-	269,529	-	-	-	(269,529)		(269,529)
Nondepartmental and other	659,922	-	659,922	-	-	-	(659,922)		(659,922)
Employee benefits	528,454	-	528,454	-	-	-	(528,454)		(528,454)
Interest and debt fees/expenses	851,953	-	851,953	-	-	-	(851,953)		(851,953)
PBC	4,750	102,647	107,397	302,847	-	302,847	195,450		195,450
Total governmental activities	4,174,260	853,171	5,027,431	817,961	18,918	836,879	(4,190,552)	-	(4,190,552)
Proprietary activities:									
Water	1,543,718	186,238	1,729,956	1,598,047	-	1,598,047		(131,909)	(131,909)
Sewer	1,359,447	149,960	1,509,407	1,366,761	-	1,366,761		(142,646)	(142,646)
Total proprietary activities	2,903,165	336,198	3,239,363	2,964,808	-	2,964,808	-	(274,555)	(274,555)
Total	\$ 7,077,425	\$ 1,189,369	\$ 8,266,794	\$ 3,782,769	\$ 18,918	\$ 3,801,687	\$ (4,190,552)	\$ (274,555)	\$ (4,465,107)
Net revenues (expenses), above							\$ (4,190,552)	\$ (274,555)	\$ (4,465,107)
General revenues, transfers, etc.:									
Taxes and shared revenue							3,134,966		3,134,966
Special assessments							1,334,154		1,334,154
Franchise fees, rents, etc.							489,892		489,892
Capital asset contributions							(419,302)	419,302	-
Other							112,606	17,284	129,890
Total general revenues, transfers, etc.							4,652,316	436,586	5,088,902
Refunding/defeasance costs/land project							(2,321,237)		(2,321,237)
Total general and refunding							2,331,079	436,586	2,767,665
Change in net assets							(1,859,473)	162,031	(1,697,442)
Net assets - beginning							5,552,787	11,467,855	17,020,642
Net assets - ending							\$ 3,693,314	\$ 11,629,886	\$ 15,323,200

See notes to financial statements.

CITY OF BEL AIRE, KANSAS
Balance Sheet - Governmental Funds
December 31, 2010

	Major Funds							Total	Reconciliation to Government-Wide Statement of Net Assets	
	General	Special Street and Highway	Employee Benefits	Bond and Interest	Capital Projects	Public Building Commission	Nonmajor Funds			
<u>Assets</u>										
Cash	\$ 950,506	\$ 261,083	\$ 233,089	\$ 69,674	\$ 6,279,763	\$ 159,467	\$ 296,460	\$ 8,250,042	Total fund balance, this statement	\$ 10,041,470
Receivables:									Add (deduct):	
Ad valorem tax	1,213,947	-	541,569	-	-	-	-	1,755,516	Capital assets	49,681,564
Special assessments	-	-	-	8,448,190	-	-	-	8,448,190	Bonds, notes and leases payable	(56,985,978)
Motor vehicle and RV tax	3,297	-	1,793	-	-	-	-	5,090	Unamortized debt issuance costs	956,258
State fuel tax	-	47,156	-	-	-	-	-	47,156		
Real estate mortgage	413,584	-	-	-	-	-	-	413,584		
Sales tax and intergovernmental	159,843	-	-	-	-	-	-	159,843		
Franchise taxes and fees	46,560	-	-	-	-	-	-	46,560		
CCUA headworks project	-	-	-	-	512,354	-	-	512,354		
Total receivables	1,837,231	47,156	543,362	8,448,190	512,354	-	-	11,388,293	Total net assets, governmental	\$ 3,693,314
Restricted debt service funds	-	-	-	-	-	744,463	-	744,463		
Total assets	<u>\$ 2,787,737</u>	<u>\$ 308,239</u>	<u>\$ 776,451</u>	<u>\$ 8,517,864</u>	<u>\$ 6,792,117</u>	<u>\$ 903,930</u>	<u>\$ 296,460</u>	<u>\$ 20,382,798</u>		
<u>Liabilities and Fund Balances</u>										
Liabilities:										
Accounts payable and accruals	\$ 35,168	\$ 234	\$ 11,521	\$ -	\$ 36,444	\$ -	\$ 7,099	\$ 90,466		
Deferred revenues	1,213,947	47,156	541,569	8,448,190	-	-	-	10,250,862		
Total liabilities	1,249,115	47,390	553,090	8,448,190	36,444	-	7,099	10,341,328		
Fund Balances:										
Restricted:										
Capital projects	-	-	-	-	6,755,673	-	-	6,755,673		
Debt service	-	-	-	69,674	-	744,463	-	814,137		
Total restricted	-	-	-	69,674	6,755,673	744,463	-	7,569,810		
Unrestricted	1,538,622	260,849	223,361	-	-	159,467	289,361	2,471,660		
Total fund balances	1,538,622	260,849	223,361	69,674	6,755,673	903,930	289,361	10,041,470		
Total liabilities and fund balances	<u>\$ 2,787,737</u>	<u>\$ 308,239</u>	<u>\$ 776,451</u>	<u>\$ 8,517,864</u>	<u>\$ 6,792,117</u>	<u>\$ 903,930</u>	<u>\$ 296,460</u>	<u>\$ 20,382,798</u>		

See notes to financial statements.

CITY OF BEL AIRE, KANSAS
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2010

	Major Funds						Nonmajor Funds	Total
	General	Special Street and Highway	Employee Benefits	Bond and Interest	Capital Projects	Public Building Commission		
Revenues:								
Taxes and shared revenues	\$ 2,025,628	\$ 270,245	\$ 643,225	\$ -	\$ -	\$ -	\$ -	\$ 2,939,098
Franchise fees	435,405	-	-	-	-	-	-	435,405
Court fines	280,198	-	-	-	-	-	-	280,198
Licenses, permits and fees	253,834	-	-	-	-	-	-	253,834
Rents and sales	-	-	-	-	-	319,587	-	319,587
Special assessments	-	-	-	1,334,154	-	-	-	1,334,154
Other	167,996	639	-	-	1,895	1,159	16,979	188,668
Total revenues	<u>3,163,061</u>	<u>270,884</u>	<u>643,225</u>	<u>1,334,154</u>	<u>1,895</u>	<u>320,746</u>	<u>16,979</u>	<u>5,750,944</u>
Expenditures:								
Current:								
Administration, mayor and council	381,280	-	-	-	-	-	-	381,280
Community development	75,440	-	-	-	-	-	-	75,440
Law and municipal court	162,948	-	-	-	-	-	-	162,948
Parks, grounds, recreation, pool, etc.	433,133	-	-	-	-	-	-	433,133
Police	838,306	-	-	-	-	-	-	838,306
Streets and highway	-	316,186	-	-	-	-	-	316,186
Nondepartmental and other	146,053	-	563	-	-	-	41,749	188,365
Employee benefits	-	-	528,454	-	-	-	-	528,454
Land project taxes	401,246	-	-	-	-	59,966	-	461,212
Capital outlay	-	-	-	-	1,721,889	-	-	1,721,889
Debt service:								
Principal/defeasance	-	-	-	975,000	-	20,568,135	-	21,543,135
Interest and fees	-	-	-	581,882	346,988	802,273	-	1,731,143
Total expenditures	<u>2,438,406</u>	<u>316,186</u>	<u>529,017</u>	<u>1,556,882</u>	<u>2,068,877</u>	<u>21,430,374</u>	<u>41,749</u>	<u>28,381,491</u>
Excess (deficiency)	<u>724,655</u>	<u>(45,302)</u>	<u>114,208</u>	<u>(222,728)</u>	<u>(2,066,982)</u>	<u>(21,109,628)</u>	<u>(24,770)</u>	<u>(22,630,547)</u>
Other financing sources (uses):								
Transfers	12,012	(7,783)	-	259,425	(12,012)	-	-	251,642
Bonds or notes issued	-	-	-	-	4,070,000	19,315,000	-	23,385,000
Notes paid	-	-	-	-	(2,800,000)	-	-	(2,800,000)
Total other financing sources (uses)	<u>12,012</u>	<u>(7,783)</u>	<u>-</u>	<u>259,425</u>	<u>1,257,988</u>	<u>19,315,000</u>	<u>-</u>	<u>20,836,642</u>
Net change in fund balances	<u>736,667</u>	<u>(53,085)</u>	<u>114,208</u>	<u>36,697</u>	<u>(808,994)</u>	<u>(1,794,628)</u>	<u>(24,770)</u>	<u>(1,793,905)</u>
Fund balances, beginning,	3,341,623	313,934	109,153	32,977	7,564,667	158,890	314,401	11,835,645
Fund reclassification, beginning balance	(2,539,668)	-	-	-	-	2,539,668	-	-
Fund balances, ending	<u>\$ 1,538,622</u>	<u>\$ 260,849</u>	<u>\$ 223,361</u>	<u>\$ 69,674</u>	<u>\$ 6,755,673</u>	<u>\$ 903,930</u>	<u>\$ 289,631</u>	<u>\$ 10,041,740</u>

Reconciliation to Government-Wide Statement of Activities	
Net change in fund balances, this statement	\$ (1,793,905)
Add (deduct):	
Capital asset acquisitions	32,086
New debt	(26,350,000)
Retired debt	25,399,175
Depreciation	853,171
Total additions (deductions)	<u>(65,568)</u>
Change in net assets - governmental activities	<u>\$ (1,859,473)</u>

See notes to financial statements.

CITY OF BEL AIRE, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
General Fund
For the Year Ended December 31, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property tax	\$ 1,016,945	\$ 1,003,216	\$ (13,729)
Delinquent tax	16,199	12,345	(3,854)
Motor vehicle tax	159,159	163,636	4,477
Sales tax	803,153	846,431	43,278
Franchise fees	352,500	435,405	82,905
Court fines	184,250	280,198	95,948
Licenses, permits and fees	77,489	191,906	114,417
Recreation fees	76,100	61,928	(14,172)
Rents and note collections	20,050	47,906	27,856
Federal aid, grants	54,000	18,918	(35,082)
Interest	12,000	21,324	9,324
Other	64,040	67,737	3,697
Transfer from Capital Projects Fund	-	12,012	12,012
Land sales	1,804,206	12,111	(1,792,095)
Total Cash Receipts	<u>4,640,091</u>	<u>3,175,073</u>	<u>(1,465,018)</u>
Expenditures:			
City Administration:			
Personnel services	178,733	131,654	47,079
Contractual services	211,852	182,878	28,974
Operating expenses	31,450	39,594	(8,144)
Capital outlay	5,000	4,851	149
Community Development:			
Personnel services	42,041	40,615	1,426
Contractual services	27,050	19,632	7,418
Operating expenses	10,550	8,464	2,086
Capital outlay	8,200	6,729	1,471
Law and Municipal Court:			
Personnel services	57,579	48,416	9,163
Contractual services	97,183	107,241	(10,058)
Operating expenses	4,050	7,291	(3,241)

CITY OF BEL AIRE, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
General Fund
For the Year Ended December 31, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures (continued):			
Parks and Grounds:			
Personnel services	125,112	112,680	12,432
Contractual services	27,493	13,843	13,650
Operating expenses	42,495	33,915	8,580
Capital outlay	35,400	1,687	33,713
Police:			
Personnel services	570,568	586,388	(15,820)
Contractual services	80,571	75,587	4,984
Operating expenses	138,323	116,316	22,007
Capital outlay	61,088	60,015	1,073
Recreation:			
Personnel services	144,022	136,576	7,446
Contractual services	39,500	23,336	16,164
Operating expenses	37,000	30,565	6,435
Capital outlay	12,800	5,234	7,566
Senior Center:			
Personnel services	18,230	16,417	1,813
Contractual services	5,400	1,567	3,833
Operating expenses	5,950	6,357	(407)
Mayor and Council:			
Personnel services	10,200	10,200	-
Contractual services	1,000	938	62
Operating expenses	28,400	11,165	17,235
Central Park Pool:			-
Personnel services	16,000	25,704	(9,704)
Contractual services	9,800	6,885	2,915
Operating expenses	10,875	18,367	(7,492)

CITY OF BEL AIRE, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
General Fund
For the Year Ended December 31, 2010

Nondepartmental:			
Accounting and auditing	26,000	35,730	(9,730)
Animal control	750	348	402
Computer support services	8,500	25,920	(17,420)
Unappropriated reserves	110,000	-	110,000
Buildings/fixed equipment	15,000	12,034	2,966
Grounds, improvements, etc.	369,250	15,771	353,479
Operating reserves	110,000	78,474	31,526
Contractual and legal services	24,600	26,935	(2,335)
Liability insurance	22,780	17,511	5,269
Janitorial	15,000	15,289	(289)
Communications	27,505	6,000	21,505
Other nondepartmental	25,000	11,462	13,538
Land project:			
Taxes and specials	340,000	396,496	(56,496)
COP trustee fees	-	4,750	(4,750)
Land project costs	1,701,521	-	1,701,521
Total Expenditures	<u>4,889,821</u>	<u>2,537,827</u>	<u>2,351,994</u>
Receipts over (under) expenditures	(249,730)	637,246	886,976
Adjusted unencumbered cash, beginning	<u>359,730</u>	<u>312,373</u>	* <u>(47,357)</u>
Unencumbered cash, ending	<u>\$ 110,000</u>	<u>\$ 949,619</u>	<u>\$ 839,619</u>

* - Audited statements for prior year included restricted cash of \$2,539,668 held by trustee. This amount was reclassified to the Public Building Commission as of January 1, 2010.

See notes to financial statements.

CITY OF BEL AIRE, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Employee Benefits Fund
For the Year Ended December 31, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property tax	\$ 555,408	\$ 550,717	\$ (4,691)
Delinquent tax	5,000	3,927	(1,073)
Motor vehicle tax	86,537	88,581	2,044
Interest	200	-	(200)
Transfer from General Fund	1,500	-	(1,500)
Total Cash Receipts	<u>648,645</u>	<u>643,225</u>	<u>(5,420)</u>
Expenditures:			
FICA/Medicare	132,617	113,563	19,054
Unemployment	8,964	18,152	(9,188)
Worker's compensation	33,256	1,263	31,993
KPERS and death and disability	83,320	99,719	(16,399)
Retirement plan	4,500	5,209	(709)
Health and life insurance	374,460	290,158	84,302
Operating reserve	25,000	-	25,000
Other	390	390	-
Total Expenditures	<u>662,507</u>	<u>528,454</u>	<u>134,053</u>
Receipts Over (Under) Expenditures	(13,862)	114,771	128,633
Unencumbered Cash, Beginning	<u>43,862</u>	<u>106,800</u>	<u>62,938</u>
Unencumbered Cash, Ending	<u><u>\$ 30,000</u></u>	<u><u>\$ 221,571</u></u>	<u><u>\$ 191,571</u></u>

See notes to financial statements.

CITY OF BEL AIRE, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Special Street and Highway Fund
For the Year Ended December 31, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Taxes and Shared Revenue:			
County gas tax	\$ 95,660	\$ 86,656	\$ (9,004)
State gas tax	290,040	183,589	(106,451)
Interest	1,200	639	(561)
Total Cash Receipts	<u>386,900</u>	<u>270,884</u>	<u>(116,016)</u>
Expenditures:			
Personnel services	62,322	59,015	3,307
Contractual services	47,528	40,871	6,657
Operating expense	93,800	81,508	12,292
Capital outlay	47,434	88,135	(40,701)
Transfer to Bond and Interest Fund	98,445	7,783	90,662
Total Expenditures	<u>349,529</u>	<u>277,312</u>	<u>72,217</u>
Receipts over (under) expenditures	37,371	(6,428)	(43,799)
Unencumbered cash, beginning	<u>166,182</u>	<u>267,277</u>	<u>101,095</u>
Unencumbered cash, ending	<u>\$ 203,553</u>	<u>\$ 260,849</u>	<u>\$ 57,296</u>

See notes to financial statements.

CITY OF BEL AIRE, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Bond and Interest Fund
For the Year Ended December 31, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Special assessments	\$ 1,364,158	\$ 1,334,154	\$ (30,004)
Interest	14,000	-	(14,000)
Other	280,831	-	(280,831)
Transfer from:			
Water Utility Fund	-	106,364	106,364
Sewer Utility Fund	-	145,278	145,278
Special Streets and Highway Fund	-	7,783	7,783
Total Cash Receipts	<u>1,658,989</u>	<u>1,593,579</u>	<u>(65,410)</u>
Expenditures:			
Principal payments	995,000	975,000	20,000
Interest expense	649,840	573,430	76,410
Other debt expenses	-	8,452	(8,452)
Total Expenditures	<u>1,644,840</u>	<u>1,556,882</u>	<u>87,958</u>
Receipts over (under) expenditures	14,149	36,697	22,548
Unencumbered cash, beginning	<u>41,089</u>	<u>32,975</u>	<u>(8,114)</u>
Unencumbered cash, ending	<u>\$ 55,238</u>	<u>\$ 69,672</u>	<u>\$ 14,434</u>

See notes to financial statements.

CITY OF BEL AIRE, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Capital Projects Fund
For the Year Ended December 31, 2010

	<u>Actual</u>
Cash Receipts:	
Temporary note 2010A	\$ 2,900,000
Temporary note 2010B	1,170,000
Interest	1,895
Total Cash Receipts	<u>4,071,895</u>
Expenditures:	
Elk Creek phase I project	388,012
Central Park 3rd, phase 1	850,273
Central Park 3rd, phase 2	6,517
High school	384,773
CCUA headworks	512,354
Electric lift station - sanitary sewer	68,596
Paving and other infrastructure	23,709
Temporary note principal 2006A	2,800,000
Temporary note interest 2006A	56,000
Temporary note interest 2008A	213,075
Fees	23,657
Interest	54,266
Transfer to General Fund	12,012
Total Expenditures	<u>5,393,244</u>
Receipts Over (Under) Expenditures	(1,321,349)
Unencumbered Cash, Beginning	<u>7,564,667</u>
Unencumbered Cash, Ending	<u><u>\$ 6,243,318</u></u>

See notes to financial statements.

CITY OF BEL AIRE, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Public Building Commission
For the Year Ended December 31, 2010

	<u>Actual</u>
Cash Receipts:	
Bond issue	\$ 19,315,000
Interest	1,159
Rents	246,977
Farm rents	16,740
Effluent sales	55,870
Total Cash Receipts	<u>19,635,746</u>
Expenditures:	
Defeasance/reserves for COP's - net	20,568,135
Project costs	59,966
Bond issuance costs and trustee account changes, net	802,273
Total Expenditures	<u>21,430,374</u>
Receipts Over (Under) Expenditures	(1,794,628)
Unencumbered Cash, Beginning	<u>2,698,558</u> *
Unencumbered Cash, Ending	<u><u>\$ 903,930</u></u>
* - Balance per December 31, 2009 statements	\$ 158,890
Add: Reclassification of COP trustee balances previously reported in the City's General Fund	2,539,668
Unencumbered cash, ending	<u><u>\$ 2,698,558</u></u>

See notes to financial statements.

CITY OF BEL AIRE, KANSAS
Statement of Net Assets - Proprietary Funds
December 31, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>Assets</u>			
Current assets:			
Cash	\$ 73,232	\$ 285,634	\$ 358,866
Accounts receivable	115,397	93,898	209,295
Total current assets	<u>188,629</u>	<u>379,532</u>	<u>568,161</u>
Capital assets:			
Plant and equipment	8,049,171	6,650,997	14,700,168
Accumulated depreciation	<u>(2,330,808)</u>	<u>(1,747,161)</u>	<u>(4,077,969)</u>
Total plant and equipment	5,718,363	4,903,836	10,622,199
Land, non-depreciable	<u>234,040</u>	<u>300,000</u>	<u>534,040</u>
Total capital assets	<u>5,952,403</u>	<u>5,203,836</u>	<u>11,156,239</u>
Total assets	<u>\$ 6,141,032</u>	<u>\$ 5,583,368</u>	<u>\$ 11,724,400</u>
 <u>Liabilities and Net Assets</u>			
Liabilities:			
Accounts payable	\$ 39,596	\$ 776	\$ 40,372
Accrued compensation	<u>33,002</u>	<u>21,130</u>	<u>54,132</u>
Total liabilities	72,598	21,906	94,504
Net Assets:			
Invested in capital assets	5,952,403	5,203,836	11,156,239
Unrestricted	<u>116,031</u>	<u>357,626</u>	<u>473,657</u>
Total net assets	<u>6,068,434</u>	<u>5,561,462</u>	<u>11,629,896</u>
Total liabilities and net assets	<u>\$ 6,141,032</u>	<u>\$ 5,583,368</u>	<u>\$ 11,724,400</u>

See notes to financial statements.

CITY OF BEL AIRE, KANSAS
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds
For the Year Ended December 31, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues:			
Charges for services, etc.	\$ 1,574,631	\$ 1,366,761	\$ 2,941,392
Other	23,416	-	23,416
Total operating revenues	<u>1,598,047</u>	<u>1,366,761</u>	<u>2,964,808</u>
Operating expenses:			
Personnel	282,511	175,287	457,798
Contractual services	41,063	9,371	50,434
Water purchases	172,531	-	172,531
Operations and maintenance - CCUA	247,230	315,307	562,537
Debt service - CCUA	576,079	630,689	1,206,768
Francise fees	54,167	54,167	108,334
Other operating expenses	63,773	29,348	93,121
Depreciation	186,238	149,960	336,198
Operating transfers	106,364	145,278	251,642
Total operating expenses	<u>1,729,956</u>	<u>1,509,407</u>	<u>3,239,363</u>
Income (loss) from operations	(131,909)	(142,646)	(274,555)
Nonoperating revenues and (expenses):			
Interest and other	<u>18,679</u>	<u>(1,395)</u>	<u>17,284</u>
Net change before governmental contribution:	(113,230)	(144,041)	(257,271)
Capital assets contributed by governmental funds	<u>90,777</u>	<u>328,525</u>	<u>419,302</u>
Change in net assets	(22,453)	184,484	162,031
Net assets, beginning	<u>6,090,887</u>	<u>5,376,968</u>	<u>11,467,855</u>
Net assets, ending	<u><u>\$ 6,068,434</u></u>	<u><u>\$ 5,561,452</u></u>	<u><u>\$ 11,629,886</u></u>

See notes to financial statements.

CITY OF BEL AIRE, KANSAS
Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Cash flows - operating activities:			
Customers	\$ 1,559,537	\$ 1,402,929	\$ 2,962,466
Groundwater settlement	-	-	-
Other revenue	18,811	-	18,811
Payments to employees	(289,128)	(172,758)	(461,886)
Water purchases	(172,531)	-	(172,531)
CCUA operations	(247,230)	(315,307)	(562,537)
CCUA debt service operating expense	(576,079)	(630,689)	(1,206,768)
Contractual and other	(41,063)	(9,371)	(50,434)
Franchise fees	(54,167)	(54,167)	(108,334)
Operating expenses	(41,629)	(51,197)	(92,826)
Operating transfers	<u>(106,364)</u>	<u>(145,278)</u>	<u>(251,642)</u>
Net cash provided by operating activities	50,157	24,162	74,319
Cash flows - capital and related financing activities:			
Capital outlay	<u>(106,651)</u>	<u>(34,017)</u>	<u>(140,668)</u>
Net increase (decrease) in cash	(56,494)	(9,855)	(66,349)
Cash, beginning	<u>129,726</u>	<u>295,489</u>	<u>425,215</u>
Cash, ending	<u><u>\$ 73,232</u></u>	<u><u>\$ 285,634</u></u>	<u><u>\$ 358,866</u></u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF BEL AIRE, KANSAS
Notes to Financial Statements
December 31, 2010

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CITY OF BEL AIRE, KANSAS
Notes to Financial Statements
December 31, 2010

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of the City of Bel Aire, Kansas (the City) is presented to assist in understanding the City's financial statements. The financial statements and notes are representations of the City's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles applied on a consistent basis.

Reporting Entity

The City of Bel Aire, Kansas is incorporated under the laws of the State of Kansas. The City adopted a Council-Manager form of City government in January 2010 consisting of an elected Mayor and council and an appointed City Manager to oversee the daily operations. The City provides services to the citizens in the areas of highways and streets, water service, wastewater treatment, community development, public safety, planning and zoning, recreation, public works, and general administrative services.

Blended Component Unit. The statements include the financial data of the Public Building Commission (PBC). The PBC was formed several years ago in order to finance and build the 1) City Hall, 2) the swimming pool and 3) an effluent line for the sale of "gray water" to Willowbend. The PBC issued debt instruments (revenue bonds) to finance the projects and leases the City Hall and swimming pool to the City. All revenues from City Hall rents, gray water sales and pool operations are pledged for debt service on the respective PBC revenue bonds. In 2010 the PBC issued additional revenue bonds in the amount of \$19,315,000 in order to defease/refund COP's in the amount of \$19,830,000. The details of this transaction are reflected in Note 22. Bonded indebtedness of the PBC is reflected below:

<u>Project</u>	<u>PBC Revenue Bonds</u>		
	<u>Original Amount of Bonds</u>	<u>Bonds outstanding 12-31-10</u>	<u>Final Maturity</u>
City Hall, land and improvements	\$ 400,000	\$ 190,000	2-1-13
Swimming pool renovations	790,000	750,000	2-1-36
Effluent line	600,000	525,000	2-1-34
Refunding revenue bonds	3,460,000	3,380,000	2-1-36
Project Site (land project)	<u>19,315,000</u>	<u>19,315,000</u>	5-1-36
Total	<u>\$24,565,000</u>	<u>\$24,160,000</u>	

Although the PBC is a legally separate organization, the City is financially accountable for the component unit in accordance with GASB standards. The PBC's governing body is substantially the same as the governing body of the City; therefore the PBC is "blended" with the City's financial statements. Blending means that the component unit is so closely related to the primary government that it is, in effect, the same as the primary government. In this case the data for the component unit's funds are combined with the data for the corresponding funds of the primary government.

CITY OF BEL AIRE, KANSAS
Notes to Financial Statements
December 31, 2010

1. Summary of Significant Accounting Policies (continued)

The Bel Aire Development Authority (BADA) was formed in 2002 by several individuals in partnership with the City in order to acquire land for City development, expansion, etc. In late 2005 the City became sole owner of the Authority and in early 2006 the Authority was liquidated and merged with the City. All land project acquisition costs and related debts were transferred to the City when the merger occurred.

Basis of Presentation – Fund Accounting

The accounts of the City are organized and operated on the basis of funds and account groups, each of which is defined as a fiscal accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restriction or limitations.

In accordance with state statutes and City requirements, several different types of funds are used to record the City's financial transactions.

Basis of Accounting

Government-wide Financial Statements:

The "Statement of Net Assets" and the "Statement of Activities" display information about the City, the primary government and the blended component unit, as a whole. These statements distinguish between activities that are governmental and those that are considered proprietary activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each segment of the proprietary activities of the City and for each program of the governmental activities. Direct expenses are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants) grantors, contributors, or by laws/regulations of other governments or imposed by law. Net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

CITY OF BEL AIRE, KANSAS
Notes to Financial Statements
December 31, 2010

1. Summary of Significant Accounting Policies (continued)

Fund Financial Statements:

Fund financial statements, entitled "Balance Sheet – Governmental Funds" and "Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds", report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Governmental Funds:

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The City has four types of governmental funds – general, special revenue, debt service and capital projects.

Proprietary Funds:

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges (operating revenue). The economic resource measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Proprietary fund types have elected to consistently not follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989 as permitted under Governmental Accounting Standards Board Statement No. 20. Operating revenues are revenues derived primarily from user charges. All other revenues are reflected as nonoperating revenues.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, revenue sources are deemed both measurable and available (i.e., collectible within the current year or within 60 days of year-end and available to pay obligations of the current period). This includes investment earnings, franchise fees and state-levied locally shared taxes (including motor vehicle fees). Reimbursements due for federally funded projects, if any, are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

CITY OF BEL AIRE, KANSAS
Notes to Financial Statements
December 31, 2010

1. Summary of Significant Accounting Policies (continued)

Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with any balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year, consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property and recorded as taxes receivable, net of anticipated delinquencies, with a corresponding amount recorded as deferred revenue on the balance sheets of the anticipated funds. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the year and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

Property taxes and special assessments, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property tax and special assessment receivables are recorded and reflected as deferred revenue until they become available. Special assessments are recorded in the debt service fund.

Other program revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash since they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the individual governmental funds.

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on deposit with banks and amounts invested in the Municipal Investment Pool.

Investments

Governmental Accounting Standards Board Statement No. 31, "Accounting and Financial Reporting for Certain Investments" has been implemented. In accordance with this statement, investments, if any, held at December 31, 2010 with original maturities greater than one year would be stated at fair value. Fair value is based on quoted market prices. There were no investments under this definition held at the end of the year.

CITY OF BEL AIRE, KANSAS
Notes to Financial Statements
December 31, 2010

1. Summary of Significant Accounting Policies (continued)

Receivables

Other receivables at December 31, 2010 consist of property tax, shared revenues, a note receivable from sale of the previous City Hall, accounts due for user services, special assessments, accrued interest and franchise taxes.

Concentrations of Credit Risk

Credit is extended to citizens for special assessments levied by the City for capital improvements. These special assessments are secured by liens on the related properties. Unsecured credit is extended to customers for water fees, sewer fees, and charges for services.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

As mentioned later, certain capital assets have been valued using reasonable estimates when true historical cost values were not available.

Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the governmental activities column of the government-wide statement of net assets. Capital assets used by proprietary funds are reported in both the proprietary activities column of the government-wide statement of net assets and in the individual proprietary funds. Retroactive capitalization has been used and all infrastructure has been included.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Capital assets in the proprietary funds are accounted for in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets.

CITY OF BEL AIRE, KANSAS
Notes to Financial Statements
December 31, 2010

1. Summary of Significant Accounting Policies (continued)

The City follows the policy of capitalizing assets with unit costs of \$2,500 or more. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 40 years; improvements/infrastructure, 20 to 40 years; equipment, 5 to 10 years; water system, 35 to 40 years; sewer system, 40 years.

Certain capital assets have been valued using reasonable estimates when true historical cost values were not available.

There were no capital assets that were idle at the end of the year.

Accrued Compensated Absences

The City accrues unused portions of vacation pay in the period the fund liability is incurred. The liability is based on the sick leave accumulated at year-end by those employees who are currently eligible to receive termination payments as well as other employees who are expected to become eligible to receive such payments. Even though the City has appropriated, accumulated and earmarked expendable available fund resources for these amounts, the portion not normally expected to be liquidated with expendable available financial resources is not reported as a fund liability in accordance with Interpretation No. 6 of the Governmental Accounting Standards Board.

Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted if there are legal limitations that are imposed on their use by City legislation or external restrictions by other governments, creditors or grantors.

Special Assessments

Projects financed in part by special assessments are financed through the issuance of general obligation bonds which are secured by the full faith and credit of the City and are retired from the Bond and Interest Fund. Further, State statutes permit the levying of additional general ad valorem property taxes to finance delinquent special assessments. Special assessment taxes are levied over ten-year or fifteen-year periods and the annual installments are due and payable with annual ad valorem property taxes. The City may foreclose liens against property benefited by special assessment taxes when delinquent assessments are two years in arrears. At year-end, the special assessment taxes levied are a lien on the property and are reported as special assessments receivable in the Bond and Interest Fund with a corresponding amount recorded as deferred revenue.

CITY OF BEL AIRE, KANSAS
Notes to Financial Statements
December 31, 2010

1. Summary of Significant Accounting Policies (continued)

Transfers

Transfers, if any, of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as operating transfers and are reported as other financing sources (uses) in the governmental funds and nonoperating revenues (expenses) in the proprietary funds. Nonrecurring or nonroutine transfers of equity between funds, if any, are recorded as residual equity transfers and are reported as additions to or deductions from fund balances.

Subsequent Events

The City adopted FASB ASC 855, *Subsequent Events*, effective for financial periods ending after June 15, 2009. The objective of FASB ASC 855 is to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or available to be issued. Subsequent events have been evaluated through September 21, 2010, which is the date the financial statements were available to be issued. Events requiring disclosure were identified and disclosed.

2. Compliance and Accountability

Budget Requirements, Accounting, and Reporting

Kansas statutes require an annual operating budget be legally adopted for the general fund, special revenue funds (unless exempted by a specific statute), debt service funds and proprietary funds. All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting – that is, commitments evidenced by documents such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

The statutes provide for the following sequence and timetable in adoption of budgets:

- a. Preparation of budget for the succeeding calendar year on or before August 1 of each year.
- b. Publication of proposed budget on or before August 5 of each year.
- c. A minimum of ten days notice of public hearing, published in local newspaper, on or before August 5 of each year.
- d. Public hearing on or before August 15 of each year.
- e. Adoption of final budget on or before August 25 of each year.

Original appropriations are modified by supplemental appropriations and transfers among budget categories. The City Council approves all significant changes.

CITY OF BEL AIRE, KANSAS
Notes to Financial Statements
December 31, 2010

2. Compliance and Accountability (continued)

Kansas statutes require all money to be raised by taxation and from all other sources for the ensuing budget year be appropriated. This requirement does not allow for any nonappropriated (undesignated) fund balance on a budgetary basis. The law does permit an appropriation for unspecified purposes not to exceed ten percent of the total amount of the budget, which provides the opportunity to maintain appropriated fund balance reserves. Kansas statutes permit transferring budgeted amounts from one object or purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. All unencumbered appropriations lapse at the end of the year, except for capital project funds which are carried forward until such time as the project is completed or terminated. Kansas statutes permit original budgets to be increased for previously unbudgeted increases in revenue other than ad valorem property taxes. The City must first publish a notice of hearing to amend the budget. Ten days after publication, a public hearing is held and the governing body may amend the budget at that time. Budgetary data presented in the financial statements represent the amended budget amounts.

A legal operating budget is not required for capital projects funds, fiduciary funds (if any), and certain special revenue funds. Spending in funds which are not subject to the legal annual operation budget requirement is controlled by federal regulations, other statutes or internal spending limits established by the governing body.

Encumbrances outstanding at year end represent the estimated amount of the expenditures ultimately to result if unperformed contracts (i.e., purchase orders, other commitments) in process are completed. Encumbrances, if any, are reported as allocations of fund balances in the GAAP governmental funds statements since they do not constitute expenditures or liabilities but do commit appropriations. For day-to-day management control, expenditures plus encumbrances may not exceed the budget at the expenditure-type (i.e., personal services, other operations and maintenance, etc.) level of each cost center (activity within a program within a fund). The City may transfer unencumbered appropriations within programs within funds.

3. Deposits and Investments

Deposits

At year-end, the carrying amounts of the City's deposits were \$8,651,590 and the depository balances totaled \$3,467,207. The difference between the carrying amount and the depository balances are outstanding checks and deposits in transit and the amount invested in the State's municipal investment pool. Of the depository balances, \$500,000 was covered by federal deposit insurance and \$2,967,207 was collateralized by pledged securities held under joint custody receipts issued by third party banks in the City's name. The third-party banks holding the pledged securities are independent of the pledging banks. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the City, the pledging banks and the independent third-party banks holding the pledged securities.

CITY OF BEL AIRE, KANSAS
Notes to Financial Statements
December 31, 2010

3. Deposits and Investments (continued)

Investments

At December 31, 2010 the City had invested \$5,652,878 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers. These amounts are included in the carrying amounts of the City's deposits.

4. Property Taxes

Property taxes include amounts levied against all real property and tangible personal property, which is used in businesses located in the City. Real property taxes are levied on the assessed value listed as of the prior January 1st. Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 20; if paid semi-annually, the first payment is due December 20 with the remainder payable by May 10 in the next year.

5. Capital Assets and Depreciation

Capital assets owned by the City are summarized below. A substantial portion of the values was based on reasonable estimates of historical cost when true historical costs were not available.

Governmental Activities

	<u>12-31-10</u>	<u>12-31-09</u>
Nondepreciable:		
Land and improvements:		
Land project	\$20,807,334*	\$ 22,091,757*
Parks, recreation, etc.	3,421,063	2,209,100
City Hall	437,974	437,974
Other	<u>418,510</u>	<u>418,510</u>
Total land and land improvements	25,084,881	25,157,341
Construction in progress	<u>1,750,918</u>	<u>91,116</u>
Total nondepreciable	26,835,799	25,248,457

CITY OF BEL AIRE, KANSAS
Notes to Financial Statements
December 31, 2010

5. Capital Assets and Depreciation (continued)

Depreciable:		
Infrastructure	25,895,540	25,135,893
City Hall	2,982,358	2,950,273
Swimming pool	854,756	854,756
Other structures and equipment	<u>2,951,608</u>	<u>2,951,608</u>
	32,684,262	31,892,530
Accumulated depreciation	<u>(9,838,497)</u>	<u>(8,985,365)</u>
Total depreciable	<u>22,845,765</u>	<u>22,907,165</u>
Total capital assets	<u>\$ 49,681,564</u>	<u>\$ 48,155,622</u>

*The land included in the land project is held primarily for sale by the City.

Assets originally acquired via capital leases in the amount of \$697,109 are included in the equipment category of the governmental funds. These assets are being "depreciated" using the straight-line method.

Depreciation was charged to the following governmental functions:

	<u>2010</u>	<u>2009</u>
Administration	\$ 18,624	\$ 18,624
Police/law and municipal court	80,295	78,171
PBC	102,647	102,647
Community development/infrastructure/streets	600,152	560,809
Parks and recreation	<u>51,453</u>	<u>51,357</u>
Total	<u>\$ 853,171</u>	<u>\$ 811,608</u>

	<u>Proprietary Activities</u>			
	<u>2010</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>2009</u>
Nondepreciable:				
Land and improvements	\$ 234,040	\$ 300,000	\$ 534,040	\$ 534,040
Depreciable:				
Plant and equipment	8,049,171	6,650,997	14,700,168	14,141,527
Accumulated depreciation	<u>(2,330,808)</u>	<u>(1,747,161)</u>	<u>(4,077,969)</u>	<u>(3,741,771)</u>
Total depreciable	<u>5,718,363</u>	<u>4,903,836</u>	<u>10,622,199</u>	<u>10,399,756</u>
Total capital assets	<u>\$ 5,952,403</u>	<u>\$ 5,203,836</u>	<u>\$ 11,156,239</u>	<u>\$10,933,796</u>
Depreciation expense	<u>\$ 186,238</u>	<u>\$ 149,960</u>	<u>\$ 336,198</u>	<u>\$ 313,582</u>

CITY OF BEL AIRE, KANSAS
Notes to Financial Statements
December 31, 2010

6. Pensions

Plan Description

The City of Bel Aire participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statutes for 1/01/10 to 12/31/10 was 7.14%. The City of Bel Aire employer contributions to KPERS for the years ending December 31, 2010, 2009, and 2008 were \$88,604, \$78,333, and \$64,238, respectively, equal to the required contributions for each year.

7. Other Employee Benefits

Compensated Absences

The City's policy regarding vacation permits employees with one to five years continuous service to earn ten days vacation pay and for more than five years continuous service to earn fifteen days vacation pay. Earned vacation pay in excess of five days must be taken prior to the employee's next earning date (January 1 of the following year) or be forfeited. The sick leave policy of the City provides that all regular employees shall earn one day of sick leave for each calendar month of service. The maximum accumulation of sick leave is 210 days. After five years of continuous service with the City, an employee shall receive compensation for any unused accumulated sick leave up to a maximum of fifty days when permanently separated from service by reason of death or retirement. All other accumulated sick leave is canceled upon termination of employment. The estimated liability at December 31, 2010 if all employees with accumulated vacation and sick leave were to terminate employment would be \$88,419.

CITY OF BEL AIRE, KANSAS
Notes to Financial Statements
December 31, 2010

8. Contingencies

In the ordinary course of business the City may be subjected to loss contingencies arising from lawsuits. Management believes the outcome of such matters, if any, will not have a material impact on the City's financial position or results of future operations.

9. Risk Management

The City is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The City manages and finances its risks primarily through the purchase of commercial insurance.

10. Long-Term Debt Summary

Long-term debt is summarized below:

	2010		
	Balance 1-01-10	Net Changes	Balance 12-31-10
General obligation bonds	\$14,565,000	\$1,890,000	\$16,455,000
Temporary notes	14,900,000	1,270,000	16,170,000
Certificates of Participation	19,830,000	(19,830,000)	--
Revenue bonds – PBC	4,935,000	19,225,000	24,160,000
Capital leases	307,180	(106,202)	200,978
Accrued vacation and sick leave	187,586	(99,167)	88,419
Total	<u>\$54,724,766</u>	<u>\$2,349,631</u>	<u>\$57,074,397</u>
	2009		
	Balance 1-01-09	Net Changes	Balance 12-31-09
General obligation bonds	\$13,515,000	\$1,050,000	\$14,565,000
Temporary notes	9,575,000	5,325,000	14,900,000
Certificates of Participation	20,990,000	(1,160,000)	19,830,000
Revenue bonds – PBC	5,070,000	(135,000)	4,935,000
Capital leases	90,164	217,016	307,180
Accrued vacation and sick leave	163,093	24,493	187,586
Total	<u>\$49,403,257</u>	<u>\$5,321,509</u>	<u>\$54,724,766</u>

CITY OF BEL AIRE, KANSAS
Notes to Financial Statements
December 31, 2010

10. Long-Term Debt Summary (continued)

Principal and interest payments due are reflected in the accompanying schedule of long-term debt maturities. Debt service payments are primarily made by the Bond and Interest Fund and the Public Building Commission. Temporary notes are generally paid from the Capital Projects Fund, after bonds are issued.

11. Summary of Expenditures, Actual and Budget

Actual expenditures (statutory method) compared to published budgeted expenditures for 2010 are summarized below.

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
General	\$4,889,821	\$2,537,827	\$2,351,994
Employee Benefit	662,507	528,454	134,053
Special Street and Highway	349,529	277,312	72,217
Bond and Interest	1,644,840	1,556,882	87,958
Water Utility	1,877,833	1,590,729	287,104
Sewer Utility	1,527,186	1,412,854	114,332

12. Compliance with Kansas Statutes

Management is not aware of any statutory violations for the year ended December 31, 2010.

13. Tax Levy

The amount of tax levied for 2011 and 2010 is reflected below:

<u>Fund</u>	<u>2011</u>		<u>2010</u>	
	Mill Levy	Tax Amount Assessed	Mill Levy	Tax Amount Assessed
General	26.948	\$ 1,213,947	23.224	\$ 1,031,996
Employee Benefits	12.022	541,569	12.684	563,628
Total	<u>38.970</u>	<u>\$1,755,516</u>	<u>35.908</u>	<u>\$1,595,624</u>

CITY OF BEL AIRE, KANSAS
Notes to Financial Statements
December 31, 2010

14. Reclassifications and Adjustments

The land project, was previously reflected in the General Fund of the City, and financed with Certificates of Participation, was refinanced through the Public Building Commission by the issuance of revenue bonds. This has resulted in a reclassification of certain amounts from the General Fund to the Public Building Commission compared to previously issued financial statements.

15. Budgetary Data – Proprietary Funds

As described in Note 1 the actual data presented in the budgetary comparison statements differ from data presented in accordance with generally accepted accounting principles (GAAP) for the proprietary fund types. Kansas statutes require that fixed budgets be legally adopted for all proprietary funds unless exempted by a specific statute. Proprietary fund budgets are prepared utilizing the modified accrual basis of accounting. Actual operations compared to budgeted operations for the proprietary funds are as follows:

	<u>Combined Proprietary Funds 2010</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Sales of services	\$ 3,420,500	\$ 2,939,050	\$ (481,450)
Interest	7,750	--	(7,750)
Other	<u>14,500</u>	<u>42,227</u>	<u>27,727</u>
Total revenues	3,442,750	2,981,277	(461,473)
Expenditures:			
Personnel services	501,977	461,886	40,091
Contractual services	2,526,662	2,100,604	426,058
Commodities, operating, etc.	121,650	92,826	28,824
Capital outlay	190,705	96,625	94,080
Transfers out	<u>64,025</u>	<u>251,642</u>	<u>(187,617)</u>
Total expenditures	<u>3,405,019</u>	<u>3,003,583</u>	<u>401,436</u>
Revenues (under) expenditures	<u>\$ 37,731</u>	<u>\$ (22,306)</u>	<u>\$ (60,037)</u>

CITY OF BEL AIRE, KANSAS
Notes to Financial Statements
December 31, 2010

15. Budgetary Data – Proprietary Funds (continued)

The following comparative reconciliation is presented to provide a correlation between the different basis of accounting for reporting in accordance with generally accepted accounting principles (GAAP) and for reporting on the budget basis for proprietary funds:

	<u>2010</u>	<u>2009</u>
Change in net assets– GAAP basis	\$ 162,031	\$ 114,487
Adjustments/reconciling items:		
Accruals, etc.	38,136	106,790
Capital asset contributions received	(419,302)	(527,259)
Depreciation	336,198	315,382
Capital assets purchased	<u>(139,369)</u>	<u>(12,771)</u>
Total adjustments/reconciling items	<u>(184,377)</u>	<u>(117,858)</u>
Revenues (under) expenditures, budget basis	\$ <u>(22,306)</u>	\$ <u>(3,371)</u>

16. Commitments – Public Building Commission

The City has entered into capital lease agreements with the PBC for leases of the City Hall, swimming pool and the land project. Lease payments are to be in amounts adequate to pay the PBC's principal and interest maturities on its bonds payable. Future payments due from the City are reflected below.

<u>Year</u>	<u>Swimming Pool</u>	<u>City Hall</u>	<u>Land Project</u>	<u>Total</u>
2011	\$ 62,585	\$ 217,338	\$1,259,572	\$1,539,495
2012	62,055	224,020	1,259,572	1,545,647
2013	61,515	220,531	1,259,572	1,541,618
2014	60,965	220,731	1,259,572	1,541,268
2015	60,268	222,450	1,259,572	1,542,290
2016 thru 2037	<u>1,268,206</u>	<u>4,788,515</u>	<u>37,987,798</u>	<u>44,044,519</u>
Total	<u>\$1,575,594</u>	<u>\$ 5,893,585</u>	<u>\$ 44,285,658</u>	<u>\$51,754,837</u>

The PBC is a blended component unit of the City and the above lease payments are not reflected as payables or receivables. Future debt service payments of the PBC are reflected on the schedule of maturities of long-term debt.

17. Chisholm Creek Utility Authority

The Chisholm Creek Utility Authority is a Quasi-Municipal Governmental Entity formed in the year 2001 in accordance with Kansas Statutes 12-2901 through 2909, referred to as the Kansas Interlocal Cooperation Act. It was formed through the joint action of the Cities of Park City and Bel Aire, Kansas, for the purpose of providing “wholesale” water, wastewater and utility services to the Cities.

CITY OF BEL AIRE, KANSAS
Notes to Financial Statements
December 31, 2010

17. Chisholm Creek Utility Authority (continued)

Planning and engineering proceeded in cooperation with the Cities during that year and on March 20, 2002, the Authority closed on \$28,980,000 in revenue bonds allowing the construction of the planned water and wastewater facilities. In general, the initial 20 months were a period of acquisition of funds and construction; partial operations occurred in the wastewater function since the Authority purchased Park City's wastewater plant in a completely operational status. Full operation began in January 2003 in both the water and wastewater projects in addition to providing trash services to the citizens of Bel Aire; however the trash service operation was sold to an unrelated entity in December 2004.

The Authority's purpose is to serve the two cities and the function of the cities is to insure that the expenses of the Authority related to the water and wastewater operations of the project constructed by the revenue bonds are paid. "Expenses" paid to the authority include debt service and operating expense. The cities forming the Authority have planned that the Authority shall not create surplus cash balances from the use of city funds.

The Authority does not meet GASB requirements to be reported as a component unit in Bel Aire's financial statements; however, it is a related organization under the joint control of the two organizing cities. Neither city is "financially accountable" for the Authority and there is no "ongoing financial interest" or "ongoing financial responsibility."

As required by the bond covenants, the rates charged by each city to its residents and businesses should result in the funds necessary for the cities to pay for all the water and wastewater costs of the Authority in addition to all debt service payments. Current year operating results of the Authority reflected a gain in comparison with the previous year. Provisions of the revenue bond rate covenant were complied with for 2010.

At year-end the Authority had revenue bonds, capital leases and a land contract outstanding in the principal amount of \$27,728,971. The debt is more fully described in the audited financial statements of the Chisholm Creek Utility Authority. Debt administration is handled by the Bank of New York and Security Bank of Kansas City, excluding the capital leases and land contract.

During 2009 a temporary financing agreement was approved by the City for the Authority to make certain capital improvements to the wastewater treatment facilities. The improvements were approved up to \$3,918,306, of which the City of Bel Aire is liable for \$1,322,934. The temporary financing by the City will be repaid through the issuance of revenue bonds by the Authority. The payment of the revenue bonds will be through monthly payments by the cities to the Authority from revenues in utility funds.

CITY OF BEL AIRE, KANSAS
Notes to Financial Statements
December 31, 2010

17. Chisholm Creek Utility Authority (continued)

Bel Aire's scheduled share of payments due to the Authority for revenue bonds and interest are reflected fellow:

<u>Period</u>	<u>Interest and Principal</u>
2011	\$ 776,516
2012	779,516
2013	1,192,316
2014	1,195,591
2015	1,289,171
2016 and thereafter	<u>21,065,001</u>
Total	<u>\$ 26,298,111</u>

The above payments will be recognized as expenses incurred for water and sewer operations.

Audited financial statements are available for the Chisholm Creek Utility Authority at the office of the City of Park City, 6110 N. Hydraulic, Park City, Kansas 67219.

18. Operating Leases

The City is a party to several operating leases with immaterial monthly lease payments.

19. Conduit Debt

From time to time, the City has sponsored the issuance of Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities demand to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership for the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayments of the bonds. In accordance with the Governmental Accounting Standards Board, the bonds are not reported as liabilities in the accompanying financial statements.

CITY OF BEL AIRE, KANSAS
Notes to Financial Statements
December 31, 2010

20. Construction Commitments

Significant capital projects approved and/or in progress at December 31, 2010 are reflected below:

<u>Project</u>	<u>Project Costs to Date</u>	<u>Approved Project Amount</u>
CCUA wastewater treatment project	\$ 512,354*	\$ 1,630,000
Central Park, 3 rd phase, storm sewer	314,711	626,000
Central Park, 3 rd phase, water	71,615	95,000
Central Park, 3 rd phase, sewer	134,875	237,000
Central Park, 3 rd phase, paving	344,468	322,000
TV South, water and sewer	972	565,000
TV South, drainage	--	1,493,000
TV South, paving	--	753,000
Pestwick	13,450	165,000
High School, water and sewer	203,537	460,860
High School, road and streets	42,725	536,375
K-8 53 rd Street	60,645	116,130
Alley removal	49,097	40,000

Temporary notes for the above projects were issued in 2009 and 2010.

* - Refundable from the CCUA.

21. Concentrations

The City buys all of its wastewater services from the Chisholm Creek Utility Authority. All water purchases are made from the Chisholm Creek Utility Authority and the City of Wichita.

22. Certificates of Participation (COP's)

In April 2010, the Public Building Commission (PBC) issued taxable revenue bonds, series 2010, in the aggregate principal amount of \$19,315,000. The bonds were primarily issued to retire outstanding COP's on the land project that will be leased to the City of Bel Aire, Kansas for use as a commercial/industrial park. The funds were deposited in trust and escrow accounts for the redemption/prepayment of the previously issued COP's.

Pursuant to a capital lease between the PBC and the City, the Project Site is leased from the PBC to the City. The 2010 bonds are payable solely from the net earnings and revenue received from the Project. The Series 2010 bonds are secured by a pledge of the Trust Estate. The Trust Estate is comprised of the Project and its net earnings and revenues. The annual obligation to the City to make rental payments under the lease is not subject to annual appropriation and is exempt from the application of the Kansas cash basis and budget laws.

CITY OF BEL AIRE, KANSAS
Notes to Financial Statements
December 31, 2010

22. Certificates of Participation (COP's) (continued)

The 2010 taxable revenue bonds issued by the Public Building Commission in the amount of \$19,315,000 were used to defease or prepay the following COP's:

<u>COP Series</u>	<u>Amount</u>
2005-A COP's	\$ 1,955,000
2005-B COP's	11,695,000
2006-B COP's	<u>6,180,000</u>
Total	<u>\$19,830,000</u>

The bond instrument reflects the annual debt service requirements for the 2010 revenue bonds, beginning in the year 2010 and ending in the year 2035.

23. Subsequent Event – Land Project

In April 2011 the City adopted Resolution R-11-10 concerning the plan to manage the debt associated with the Land Project lease. This debt is the result of the Bonds issued by the Public Building Commission in the amount of \$19,315,000. The plan includes the following requirements:

1. The source of funds for scheduled interest payments on the land debt will be budgeted from real estate taxes annually.
2. A total of 28 mills in 2012 will be dedicated for interest payments. That amount will decrease as the principal is paid down.
3. The funds will be acquired through reduction in services, increases in the mill levy or a combination of both.
4. Any amount received from land sales will be used to make principal payments on the land debt.
5. The money for principal payments will be applied to pay off bonds in order of their maturity with the shorter term bonds being paid first.

SUPPLEMENTARY INFORMATION

CITY OF BEL AIRE, KANSAS
Schedule of Changes in Long-Term Debt
For the Year Ended December 31, 2010

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year
General Obligation Bonds:									
Internal improvements - Series A 2002	3.50% to 6.40%	8/26/2002	512,000	11/1/2017	\$ 105,000	\$ -	\$ 35,000	\$ -	\$ 70,000
Refunding - Series A 2003	2.00% to 3.00%	7/1/2003	655,000	10/1/2011	180,000	-	85,000	-	95,000
Refunding & internal improvements - Series B 2003	2.00% to 5.00%	10/15/2003	1,710,000	11/1/2019	730,000	-	155,000	-	575,000
Refunding - Series A 2004	3.00% to 3.50%	10/15/2004	3,930,000	11/1/2014	1,685,000 *	-	335,000	-	1,350,000
Internal improvements - Series A 2007	4.125% to 4.25%	2/15/2007	4,595,000	11/1/2027	4,410,000	-	170,000	-	4,240,000
Refunding & internal improvements - Series B 2007	4.25% to 4.50%	2/15/2007	1,290,000	11/1/2027	1,260,000	-	120,000	-	1,140,000
Internal improvements - Series C 2007 (proprietary)	4.50% to 5.00%	8/1/2007	3,555,000	11/1/2022	3,480,000	-	100,000	-	3,380,000
Refunding & internal improvements - Series D 2007	4.125% to 4.60%	8/1/2007	625,000	11/1/2022	580,000	-	20,000	-	560,000
Taxable - Series A 2009	4.125% to 4.60%	8/1/2007	625,000	11/1/2022	2,135,000	-	55,000	-	2,080,000
Taxable - Series A 2009	4.125% to 4.60%	8/1/2007	625,000	11/1/2022	-	2,885,000	-	-	2,885,000
Taxable - Series A 2009	4.125% to 4.60%	8/1/2007	625,000	11/1/2022	-	80,000	-	-	80,000
Total General Obligation Bonds					14,565,000	2,965,000	1,075,000	-	16,455,000
Revenue Bonds - Public Building Commission:									
Revenue Bonds - Series 2003A	4.50% to 5.10%	9/1/2003	400,000	2/1/2036	245,000	-	55,000	-	190,000
Revenue Bonds - Series 2003B	3.50% to 6.60%	9/1/2003	790,000	2/1/2036	760,000	-	10,000	-	750,000
Revenue Bonds - Series 2004A	3.125% to 5.5%	3/1/2004	585,000	2/1/2034	540,000	-	15,000	-	525,000
Refunding Revenue Bonds - Series 2006	3.75% to 4.25%	12/1/2006	3,460,000	2/1/2036	3,390,000	-	10,000	-	3,380,000
Refunding Revenue Bonds - Series 2010	3.75% to 4.25%	12/1/2006	3,460,000	2/1/2036	-	19,315,000	-	-	19,315,000
Total Revenue Bonds					4,935,000	19,315,000	90,000	-	24,160,000
Temporary Notes:									
Internal improvements - Series A 2006	4.00%	2/15/2006	2,800,000	2/1/2010	2,800,000	-	2,800,000	-	-
Internal improvements - Series A 2008	4.50%	6/15/2008	4,735,000	6/1/2012	4,735,000	-	-	-	4,735,000
Internal improvements - Series A 2009	5.00%	12/1/2008	400,000	6/1/2009	955,000	-	-	-	955,000
Internal improvements - Series B 2009	3.00%	10/15/2009	6,410,000	11/1/2013	6,410,000	-	-	-	6,410,000
Internal improvements - Series A 2010	2.50%	2/1/2010	2,900,000	2/1/2011	-	2,900,000	-	-	2,900,000
Internal improvements - Series B 2010	1.00%	10/1/2010	1,170,000	10/1/2013	-	1,170,000	-	-	1,170,000
Total Temporary Notes					14,900,000	4,070,000	2,800,000	-	16,170,000
Certificates of Participation:									
COP Series 2005	6.00% to 6.75%	5/1/2005	2,075,000	5/1/2041	1,955,000	-	1,955,000 ~	-	-
COP Series 2005B	7.50% to 8.35%	12/1/2005	14,170,000	5/1/2025	11,695,000	-	11,695,000 ~	-	-
COP Series 2006A	8.0% to 8.375%	3/1/2006	6,180,000	5/1/2025	6,180,000	-	6,180,000 ~	-	-
Total Certificates of Participation					19,830,000	-	19,830,000	-	-
Capital Leases:									
John Deere Motor Grader	3.90%	8/6/2003	122,273	1/20/2010	19,870	-	19,870	-	-
Sewer Jetter 747FR-2000	4.93%	2/1/2006	48,725	2/1/2010	10,203	-	10,203	-	-
2008 Crown Victorias	4.75%	7/15/2008	13,995	7/15/2011	4,662	-	4,662	-	-
2005 New Holland Tractor	4.75%	2/3/2009	15,000	2/3/2012	4,997	-	4,997	-	-
2009 silverado Ext Cab 4X4	4.65%	5/1/2009	19,300	5/1/2012	12,571	-	6,142	-	6,429
(2) 2009 Chevrolet Tahoes	4.65%	2/17/2009	79,582	2/17/2012	51,841	-	25,331	-	26,510
Pelican Street Sweeper	4.75%	3/3/2009	149,465	3/3/2014	116,734	-	27,186	-	89,548
KDOT Polices Radios	5.05%	9/1/2009	93,737	9/1/2018	86,302	-	7,811	-	78,491
Total Capital Leases					307,180	-	106,202	-	200,978
Total Indebtedness					\$ 54,537,180	\$ 26,350,000	\$ 23,901,202	\$ -	\$ 56,985,978
Compensated Absences	N/A	N/A	N/A	N/A	\$ 187,586	\$ -	\$ -	\$ (99,167)	\$ 88,419

* - Beginning balance restated from prior year

~ - Refunded with Public Building Commission Series 2010 Taxable Revenue Bonds

See notes to financial statements.

CITY OF BEL AIRE, KANSAS
Schedule of Maturities of Long-Term Debt
For the Year Ended December 31, 2010

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016-2020</u>	<u>2021-2025</u>	<u>2026-2030</u>	<u>2031-thereafter</u>	<u>Total</u>
Principal:										
General obligation bonds	\$ 1,115,000	\$ 1,290,000	\$ 1,360,000	\$ 1,170,000	\$ 855,000	\$ 4,675,000	\$ 4,010,000	\$ 1,900,000	\$ 80,000	\$ 16,455,000
Revenue Bonds - Public Building Commission	105,000	115,000	115,000	120,000	125,000	1,195,000	4,220,000	6,990,000	11,175,000	24,160,000
Temporary notes	2,900,000	4,735,000	8,535,000	-	-	-	-	-	-	16,170,000
Capital leases	69,620	38,444	40,301	9,513	9,992	33,108	-	-	-	200,978
Total Principal	<u>4,189,620</u>	<u>6,178,444</u>	<u>10,050,301</u>	<u>1,299,513</u>	<u>989,992</u>	<u>5,903,108</u>	<u>8,230,000</u>	<u>8,890,000</u>	<u>11,255,000</u>	<u>56,985,978</u>
Interest:										
General obligation bonds	678,834	672,359	624,398	574,588	526,098	2,013,095	998,880	318,720	3,600	6,410,572
Revenue Bonds - Public Building Commission	1,480,901	1,476,202	1,471,325	1,465,125	1,460,221	7,205,474	6,437,337	4,781,225	1,984,026	27,761,836
Temporary notes	518,225	339,187	218,325	-	-	-	-	-	-	1,075,737
Capital leases	9,986	6,458	4,598	2,657	2,177	3,399	-	-	-	29,275
Total Interest	<u>2,687,946</u>	<u>2,494,206</u>	<u>2,318,646</u>	<u>2,042,370</u>	<u>1,988,496</u>	<u>9,221,968</u>	<u>7,436,217</u>	<u>5,099,945</u>	<u>1,987,626</u>	<u>35,277,420</u>
Total Principal and Interest	<u>\$ 6,877,566</u>	<u>\$ 8,672,650</u>	<u>\$ 12,368,947</u>	<u>\$ 3,341,883</u>	<u>\$ 2,978,488</u>	<u>\$ 15,125,076</u>	<u>\$ 15,666,217</u>	<u>\$ 13,989,945</u>	<u>\$ 13,242,626</u>	<u>\$ 92,263,398</u>

See notes to financial statements.